

Pearson Loan Finance Unlimited

Registered Number :

05144467

Annual Report and Financial Statements
For the Year Ended :

31 December 2020

Registered Address :

80 Strand, London WC2R 0RL

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COMPANIES HOUSE

Pearson Loan Finance Unlimited

DIRECTORS' REPORT

The directors present their report and the financial statements of Pearson Loan Finance Unlimited (the 'company') for the year ended 31 December 2020.

The company has taken exemption from preparing a Strategic Report in accordance with s414B of the Companies Act 2006 relating to small companies.

Dividends

During the year, a dividend of £nil was paid (2019: £847,319,731).

Going concern

The directors have considered the impact of the COVID-19 pandemic on the business and on trading in future periods. The directors are of the opinion that through a combination of the mitigating actions that the company has put in place and the *continued financial support provided by the ultimate parent company, Pearson plc, preparing the financial statements on the going concern basis is appropriate.*

On the basis of the position of the overall Pearson plc group the company believes it will be able to continue for the foreseeable future. The Pearson plc group has also reassessed its funding requirements considering the impact of the COVID-19 pandemic on the business. *The impact has been modelled under several scenarios to ensure that the likelihood of a prolonged period of disruption has been appropriately considered in assessing the availability of funding to the group and the ability of the group to comply with its banking covenants. Based on this modelling and a review of historical trends in working capital requirements and forecast balance sheets for the next 12 months, the group believes that it will comply with its banking covenants and has sufficient funds available for the group's present requirements.*

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below :

A J Midgley (resigned 31 July 2020)

S K M Johnson (resigned 24 April 2020)

F E Muir

S M Brennan (appointed 24 April 2020, resigned 30 July 2021)

L Found (appointed 1 August 2020)

J J T Kelly (appointed 30 July 2021)

Qualifying third party indemnity provisions and liability insurance

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. Pearson Management Services Limited, a related party, also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of the company and its directors and officers.

Financial risk management

From the perspective of the company, financial risk management is integrated with the financial risk management of the consolidated financial statements of the group and is not managed separately. Accordingly, the financial risk management of Pearson plc, which includes that of the company, is discussed in the group's annual report which does not form part of this report.

Post balance sheet events

On 31 March 2021, the company's subsidiary Atkey Finance Limited allotted 30,000 US \$1 shares to the company for £25,563. There were no other significant events since the year end.

Pearson Loan Finance Unlimited

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to :

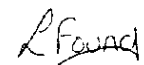
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Brexit

The UK exited the European Union (EU) on 31 January 2020. Given the prolonged negotiation process during the latter part of 2020, we continued our work to identify and mitigate any potential impact on our principal risks, including supply chain and operations, tax and data privacy, workforce mobility and more. By virtue of that analysis and mitigation planning, we have not seen any impact to the company operations or colleagues because of Brexit, with no material adverse impact on financial results.

On behalf of the board



L Found
Director

22 September 2021

Company registered number :
05144467

Pearson Loan Finance Unlimited

PROFIT AND LOSS ACCOUNT

For the year ended :

31 December 2020

		2020	2019
	Note	£'000	£'000
Continuing operations			
Operating profit		-	-
Income from shares in group undertakings		-	802,767
Impairment of investments		-	(802,767)
Profit before interest and taxation	2	-	-
Finance income	4	156	161,711
Finance costs	4	(2,141)	-
(Loss)/profit before taxation		(1,985)	161,711
Tax on (loss)/profit	5	(29)	(862)
(Loss)/profit for the financial year		(2,014)	160,849

Pearson Loan Finance Unlimited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended :

31 December 2020

	2020	2019
	£'000	£'000
(Loss)/profit for the financial year	(2,014)	160,849
Total comprehensive (expenditure)/income for the year	(2,014)	160,849

Pearson Loan Finance Unlimited

BALANCE SHEET

As at :

31 December 2020

		2020	2019
	Note	£'000	£'000
Fixed assets			
Investments	7	223	220
		223	220
Current assets			
Debtors	8	13,165	15,452
Cash at bank and in hand		-	15
		13,165	15,467
Creditors - amounts falling due within one year	9	(29)	(314)
Net current assets		13,136	15,153
Total assets less current liabilities		13,359	15,373
Net assets		13,359	15,373
Capital and reserves			
Called up share capital	10	6	6
Profit and loss account		13,353	15,367
Total shareholders' funds		13,359	15,373

For the year ended 31 December 2020 :

- The directors confirm that the company is entitled to take exemption from the requirement to obtain an audit under section 479A of the Companies Act 2006;
- The members have not required the company to obtain an audit of its accounts in accordance with section 476 of the Companies Act 2006; and
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the accounts.

The financial statements were approved by the board of directors and authorised for issue on 22 September 2021. They were signed on its behalf by :

L Found

L Found
Director

Pearson Loan Finance Unlimited

STATEMENT OF CHANGES IN EQUITY

For the year ended :

31 December 2020

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2019	6	701,838	701,844
Profit for the financial year	-	160,849	160,849
Total comprehensive income for the year	-	160,849	160,849
Dividends	-	(847,320)	(847,320)
At 31 December 2019	6	15,367	15,373
Loss for the financial year	-	(2,014)	(2,014)
Total comprehensive expenditure for the year	-	(2,014)	(2,014)
At 31 December 2020	6	13,353	13,359

Share capital represents nominal value of shares allotted and called up.

Profit and loss account reserve represents accumulated retained earnings less dividends paid.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended :
31 December 2020**

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Accounting policies

The principal accounting policies are set out below. These policies and measurement bases have been consistently applied to all the years presented.

Basis of preparation

Pearson Loan Finance Unlimited is a private unlimited company, incorporated in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements requiring disclosure.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101. Where required, equivalent disclosures are given in the group accounts of Pearson plc :

- IFRS 7 Financial Instruments: Disclosures
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
- The following paragraphs of IAS 1 Presentation of Financial Statements;
 - (i) paragraph 10(d)
 - (ii) paragraph 16
 - (iii) paragraph 38A
 - (iv) paragraph 111
 - (v) paragraph 134-136
- IAS 7 'Statement of Cash Flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- Paragraph 17 of IAS 24 'Related Party Disclosures'
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Interpretations and amendments to published standards effective 2020

No new standards were adopted in 2020.

A number of other new pronouncements are also effective from 1 January 2020 but they do not have a material impact on the financial statements. Additional disclosure has been given where relevant.

Standards, interpretations and amendments to published standards that are not yet effective

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. None of these is expected to have a material impact on the financial statements.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

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Accounting policies (continued)

Consolidation

The company is a wholly owned subsidiary of Pearson plc and is included in the consolidated financial statements of Pearson plc which are publicly available. Consequently the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

Going concern

The directors have considered the impact of the COVID-19 pandemic on the business and on trading in future periods. The directors are of the opinion that through a combination of the mitigating actions that the company has put in place and the continued financial support provided by the ultimate parent company, Pearson plc, preparing the financial statements on the going concern basis is appropriate.

On the basis of the position of the overall Pearson plc group the company believes it will be able to continue for the foreseeable future. The Pearson plc group has also reassessed its funding requirements considering the impact of the COVID-19 pandemic on the business. The impact has been modelled under several scenarios to ensure that the likelihood of a prolonged period of disruption has been appropriately considered in assessing the availability of funding to the group and the ability of the group to comply with its banking covenants. Based on this modelling and a review of historical trends in working capital requirements and forecast balance sheets for the next 12 months, the group believes that it will comply with its banking covenants and has sufficient funds available for the group's present requirements.

Foreign currency translation

The financial statements are presented in pounds sterling (£) which is also the company's functional currency.

Transactions in currencies other than the functional currency are recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Current income tax

Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Investment in subsidiaries and associated undertakings

Investments in subsidiaries are held at cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term investments with maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Operating profit

Fees paid to the group's auditor, PricewaterhouseCoopers LLP, and its associates for non-audit services are not disclosed in the company's accounts since the consolidated accounts of the company's ultimate parent company, Pearson plc, are required to disclose non-audit fees on a consolidated basis.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Directors' emoluments and employee information

The emoluments of the directors are paid by their employing company, another group undertaking. The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their employing company. Accordingly, the financial statements include no emoluments in respect of the directors. No one was employed by the company at any time during the year (2019: no one).

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Finance income and costs

	2020	2019
	£'000	£'000
Finance income		
Interest receivable from group companies	156	1,654
Net foreign exchange gain	-	160,058
Finance income	156	161,711
	2020	2019
	£'000	£'000
Finance costs		
Interest payable to group companies	(2)	-
Net foreign exchange loss	(2,139)	-
Finance costs	(2,141)	-

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Taxation

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on (losses)/profits for the year	29	314
Adjustments in respect of prior years	-	548
Total current tax	29	862
Total tax on (loss)/profit	29	862
UK standard effective rate of corporation tax (%)	19	19

The charge for the year can be reconciled to the (loss)/profit in the profit and loss account as follows:

	2020	2019
	£'000	£'000
(Loss)/profit before tax	(1,985)	161,711
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2019: 19%)	(377)	30,725
Effects of:		
Expenses not deductible for tax purposes	-	152,526
Income not taxable for tax purposes	-	(152,526)
Adjustments in respect of prior years	-	548
Non-taxable foreign exchange difference	406	(30,411)
Total tax charge for the year	29	862

The current rate of corporation tax is 19%. It had been expected to reduce to 17% effective 1 April 2020. However, this was changed to 19% in the 2020 Budget and substantively enacted on 17 March 2020 and has therefore been reflected in these financial statements.

The 2021 Budget in March this year announced an increase in the corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. As the change to 25% had not been substantively enacted at the reporting date, its effects are not included in these financial statements.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Dividends on equity shares

	2020	2019	2020	2019
	pounds per share	pounds per share	£'000	£'000
Ordinary shares US \$1 each				
Declared and paid during the year:				
Dividend for the year	-	84,732	-	847,320
	-	84,732	-	847,320

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Investments

	Note	2020	2019
		£'000	£'000
Subsidiary undertakings	7a	223	220
		223	220

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

7a

Investments - subsidiary undertakings

2020

£'000

Cost	
At 1 January 2020	220
Foreign exchange	3
At 31 December 2020	223
Net book value	
At 31 December 2019	220
At 31 December 2020	223

Details of subsidiary undertakings:

		2020	2019
Subsidiary	Registered address	% held	% held
	1st Floor, The Liffey Trust Centre, 117 – 126 Sheriff Street Upper, Dublin 1, Ireland		
Atkey Finance Limited		100%	100%

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	13,165	15,452
	13,165	15,452

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Creditors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Corporation tax	(29)	(314)
	(29)	(314)

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Called up share capital

	2020	2019
	£'000	£'000
Total share capital	6	6

	2020	2019	2020	2019
	No '000s	No '000s	£'000	£'000
Ordinary shares US \$1 each				
Allotted, called up and fully paid	10	10	6	6

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Contingent liabilities

On 25 April 2019 the European Commission published the full decision that the United Kingdom controlled foreign company group financing partial exemption (FCPE) constitutes State Aid. The Group has lodged an appeal. Pearson Loan Finance Unlimited has benefited from the FCPE by approximately £31m. Post year end, Pearson Loan Finance Unlimited received a Charging Notice requiring a payment on account of the alleged State Aid to be made with payments being made of £29m in March 2021 and £2m in July 2021. Pearson Loan Finance Unlimited continues to be of the view that no provision is required in respect of this issue.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Post balance sheet events

On 31 March 2021, the company's subsidiary Atkey Finance Limited allotted 30,000 US \$1 shares to the company for £25,563. There were no other significant events since the year end.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2020

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Ultimate parent undertaking

The immediate parent undertaking is Pearson Overseas Holdings Limited.

The ultimate parent undertaking and controlling party is Pearson plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Pearson plc's consolidated financial statements can be obtained from the Company Secretary at Pearson plc, 80 Strand, London WC2R 0RL.